

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 RSC-01 CIEP-02

SP-02 STR-04 TRSE-00 LAB-03 SIL-01 SAM-01 OMB-01 PA-02

PRS-01 USIA-15 FEAE-00 NEA-10 /088 W

----- 030815

R 291755Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6553

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 18540

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER 28)

REF.: BONN 18236

1. GERMAN EXPORT SURPLUS CONTINUES ITS RISE: ACCORDING TO THE LATEST FIGURES FROM THE FEDERAL STATISTICAL OFFICE, THE GERMAN EXPORT SURPLUS FOR OCTOBER ROSE TO DM 4.6 BILLION COMPARED TO DM 4.1 BILLION IN SEPTEMBER. THE SURPLUS FOR OCTOBER 1973 WAS DM 4.0 BILLION. THE OCTOBER 1974 CURRENT ACCOUNT BALANCE WAS IN SURPLUS BY DM 2.8 BILLION COMPARED TO DM 1.7 BILLION IN SEPTEMBER

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AND DM 1.9 BILLION IN OCTOBER OF LAST YEAR.

2. HESSISCHE LANDESBANK GIROZENTRALE LOSS ESTIMATED:  
THE FINANCE MINISTER OF LAND HESSEN ESTIMATES THAT THE  
LOSS OF THE HESSISCHE LANDESBANK GIROZENTRALE (HELABA)  
WILL BE AT LEAST DM 600 MILLION FOR 1974. THE MINISTER  
SAID EVERY EFFORT WOULD BE MADE TO SORT OUT THE BANK'S  
PROBLEMS BY THE END OF THE YEAR SO THAT IT COULD OPER-  
ATE ECONOMICALLY IN 1975. DIFFICULTIES SIMILAR TO  
THOSE SUFFERED BY HELABA ARE CROPPING UP IN THE OTHER  
GIROZENTRALE INSTITUTIONS THROUGHOUT GERMANY (ONLY ONE  
OF THE ELEVEN IS OPERATING PROFITABLY)

3. EMMINGER ON EXCHANGE RATE DEVELOPMENTS: IN A NOVEM-  
BER 22 SPEECH TO THE GERMAN ASSOCIATION OF FINANCIAL  
ECONOMISTS BUNDESBANK VICE PRESIDENT EMMINGER SAID  
THAT HE WAS NOT AT ALL PESSIMISTIC REGARDING GERMANY'S  
EXPORT TRADE DURING THE NEXT YEAR AND FORESEES THE COM-  
PETITIVE POSITION OF THE NATION'S EXPORT INDUSTRIES EN-  
HANCED BY LOWER PRICE INCREASES IN GERMANY IN COMPARISON  
TO PRICE DEVELOPMENTS IN OTHER NATIONS. ADDITIONALLY  
HE SEES A STRONG INCREASE IN DEMAND FOR GERMANY'S  
INDUSTRIAL GOODS BY THE OIL PRODUCING NATIONS. HE  
SAID THAT SHOULD THIS COMPETITIVE ADVANTAGE BE MAIN-  
TAINED, IT WOULD HAVE AN EFFECT ON DM EXCHANGE RATES.  
HOWEVER, HE CAUTIONED THAT THIS EFFECT SHOULD NOT SOLELY  
BE SEEN IN THE DM RELATION TO THE DOLLAR. BOTH THE  
DOLLAR AND THE DM ARE STRONG CURRENCIES HE SAID.  
VARIATIONS IN RATES WERE HOWEVER POSSIBLE IN THE RE-  
LATIONS OF THE WEAKER INDUSTRIALIZED NATIONS' CURRENCIES  
TO BOTH THE DM AND THE DOLLAR.

4. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK  
SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

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R 291755Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6554

INFO AMEMBASSY BERN

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AMEMBASSY PARIS

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FORWARD DOLLARS  
(DISCOUNTS IN PCT.P.A.)

	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
NOV. 22	DM 2.4855	2.2	1.9
25	2.4750	1.9	1.7
26	2.4530	0.7	1.6
27	2.4665	0.7	1.6
28	2.4710	1.7	1.9

DURING THE MIDDLE OF THE REPORTING WEEK ALL CURRENCIES  
WITHIN THE JOINT FLOAT FELL BELOW THEIR DEUTSCHEMARK  
CENTRAL RATE. HOWEVER, ON NOVEMBER 28, WITH THE EX-  
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CEPTION OF THE NORWEGIAN AND SWEDISH CROWNS ALL HAD SUR-  
PASSED THEIR DM CENTRAL RATE.

5. MONEY MARKET: DURING THE REPORTING WEEK FRANKFURT  
INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
NOV 22	6.5-6.8	7.5-7.8	8.5-8.7
25	6.5-6.9	7.6-8.0	8.5-8.8
26	8.5-8.7	7.6-8.0	8.5-8.8
27	8.3-8.7	--	--

28 8.4-8.6 7.5-8.0 8.6-8.9

6. MONETARY RESERVES: IN THE SECOND WEEK OF NOVEMBER (NOVEMBER 8-15) BUNDESBANK MONETARY RESERVES ROSE BY DM 0.5 BILLION TO DM 87.8 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 348 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 42 MILLION WHILE GROSS LIABILITIES FELL BY DM 111 MILLION. DURING THE THIRD WEEK OF NOVEMBER (NOVEMBER 16-23) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.7 BILLION TO DM 88.5 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 700 MILLION, GERMANY'S IMF GOLD TRANCHE POSITION BY DM 22 MILLION AND GROSS LIABILITIES BY DM 25 MILLION.

7. BANK LIQUIDITY: IN THE SECOND WEEK OF NOVEMBER BANK LIQUIDITY INCREASED BY DM 2.3 BILLION. THE MAJOR FACTORS INCREASING LIQUIDITY WERE A DECLINE OF DM 3.9 BILLION IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK AND AND THE ABOVE-MENTIONED INCREASE IN MONETARY RESERVES. OTHER FACTORS (DM 0.3 BILLION, NET) CONTRIBUTED. LIQUIDITY WAS REDUCED BY INCREASES IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK BY DM 2.0 BILLION AND IN CURRENCY IN CIRCULATION BY DM 0.5 BILLION. THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS AT THE BUNDESBANK BY DM 2.7 BILLION AND REDISCOUNT BORROWINGS BY DM 0.1 BILLION. IN THE THIRD WEEK OF NOVEMBER BANK LIQUIDITY DECLINED BY DM 0.6 BILLION. THE MAJOR FACTOR REDUCING LIQUIDITY WAS THE LARGE INCREASE (DM 4.1 BILLION) IN OFFICIAL ASSETS HELD AT THE BUNDESBANK WHICH WAS PRINCIPALLY DUE TO TAX PAYMENTS. OTHER FACTORS UNCLASSIFIED

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(DM 1.4 BILLION, NET) CONTRIBUTED. LIQUIDITY WAS INCREASED BY A DM 2.5 BILLION REDUCTION IN THE BANKS' RESERVE HOLDINGS AT THE BUNDESBANK AND A DM 1.7 BILLION DECLINE IN CURRENCY IN CIRCULATION. THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING REDISCOUNT BORROWINGS BY DM 0.6 BILLION.

8. BOND MARKET: THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

	8 PERCENT	7 PERCENT	6 PERCENT
NOV 22	11.13	10.71	10.41
25	11.01	10.70	10.38
26	10.95	10.69	10.31
27	10.92	10.64	10.31
28	-	-	-

ON NOVEMBER 22 THE CENTRAL CAPITAL MARKET COMMITTEE

AGREED ON THE ISSUANCE OF A DM 550 MILLION LOAN OF THE  
FEDERAL POST OFFICE (SEE BONN 18236) WITH THE FOLLOWING  
CONDITIONS: COUPON 10 PERCENT; ISSUE PRICE 99 1/2;  
MATURITY 8 YEARS, NON-CALLABLE; YIELD TO MATURITY  
10.09 PERCENT. DM 500 MILLION OF THE LOAN WILL BE  
PUBLICLY OFFERED AND DM 50 MILLION WILL BE TAKEN OVER  
BY THE FEDERAL POST OFFICE FOR THEIR OWN PURPOSES.

CASH

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## Message Attributes

**Automatic Decaptioning:** X  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
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**To:** STATE  
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